

CITY STORES COMPANY

ANNUAL REPORT



JANUARY 30, 1954

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STANDARD OF THE YEAR

Year ended		January 1, 1911	
1910		1909	
Total assets		Total assets	
Cash		Cash	
U.S. Government securities		U.S. Government securities	
State and local government securities		State and local government securities	
Corporate securities		Corporate securities	
Real estate		Real estate	
Loans		Loans	
Other assets		Other assets	
Total liabilities		Total liabilities	
Deposits		Deposits	
Borrowings		Borrowings	
Other liabilities		Other liabilities	
Total capital		Total capital	
Surplus		Surplus	
Reserves		Reserves	
Other funds		Other funds	
Total		Total	

HIGHLIGHTS OF THE YEAR

	<u>Year Ended</u>	
	<u>January 30, 1954</u>	<u>January 31, 1953</u>
Net Retail Sales	\$233,227,000	\$232,432,000
Net Income (excluding unconsolidated subsidiaries)	4,987,000	4,217,000
Earnings per common share outstanding	2.20	1.82
Dividends:		
Preferred Stock	477,000	484,000
Per Share	4.25	4.25
Common Stock	2,874,000	2,877,000
Per Share	1.40	1.40
Current Assets	88,959,000	87,449,000
Current Liabilities	25,150,000	26,834,000
Working Capital	63,809,000	60,595,000
Current Ratio	3.54	3.26
Property and Equipment	25,524,000	24,135,000
Long-Term Debt	30,242,000	27,036,000
Capital Stock and Surplus	61,065,000	59,496,000
Common Stock Equity	49,883,000	48,185,000
Common Stock Equity per Share	24.29	23.47

CITY STORES COMPANY

320 BANKERS SECURITIES BUILDING
PHILADELPHIA 7, PA.

LIT BROTHERS

Philadelphia, Pa.

Branches

69th Street, Upper Darby, Pa.
Northeast, Philadelphia, Pa.
Swern & Company, Trenton, N. J.

MAISON BLANCHE

New Orleans, Louisiana

Branches

Carrollton, New Orleans, La.
Gentilly, New Orleans, La.

LOVEMAN, JOSEPH & LOEB

Birmingham, Alabama

Branches

Bessemer, Alabama
Montgomery, Alabama*

LANSBURGH'S

Washington, D. C.

B. LOWENSTEIN & BROS., INC.

Memphis, Tennessee

Branches

Lowenstein's Home Service
Lowenstein's East
Memphis, Tenn.

KAUFMAN-STRAUS COMPANY

Louisville, Kentucky

R. H. WHITE CORPORATION

Boston, Massachusetts

Branch

Worcester, Mass.

RICHARD'S

Miami, Florida

WISE, SMITH & COMPANY, INC.

Hartford, Connecticut

CITY SPECIALTY STORES, INC.

New York, N. Y.

OPPENHEIM, COLLINS

Buffalo, N. Y.
Brooklyn, N. Y.
East Orange, N. J.
Garden City, N. Y.
Greenwich, Conn.
Hackensack, N. J.
Haddonfield, N. J.
Huntington, N. Y.
Morristown, N. J.
New York, N. Y.
Philadelphia, Pa.
Wilmington, Del.
Cross County Center
Yonkers, N. Y.

FRANKLIN SIMON

Atlanta, Ga.
Cleveland, Ohio
East Orange, N. J.
Garden City, N. Y.
Germantown, Phila.
Memphis, Tenn.*
Miami, Florida*
Newton, Mass.
New York, N. Y.
Philadelphia, Pa.
Washington, D. C.
Westport, Conn.

*To be opened during 1954.

CITY STORES COMPANY

OFFICERS

ALBERT M. GREENFIELD	<i>Chairman of the Board</i>
SAUL COHN	<i>Vice Chairman of the Board</i>
HERBERT J. SCHWARTZ	<i>President</i>
ALLAN INTRILIGATOR	<i>Vice President and Treasurer</i>
HAROLD W. BRIGHTMAN	<i>Vice President</i>
GORDON K. GREENFIELD	<i>Vice President</i>
ISIDORE NEWMAN, II	<i>Vice President</i>
MAX ROBB	<i>Vice President</i>
O. W. SCHANBACHER	<i>Vice President</i>
RALPH L. GOLDSMITH	<i>Vice President</i>
C. GORDON ANDERSON	<i>Vice President</i>
MILTON A. KAMSLER	<i>Secretary</i>
IRVING J. ZIPIN	<i>Assistant Secretary</i>
GEORGE D. LEWIS	<i>Assistant Secretary</i>
BEN C. MOISE	<i>Assistant Secretary</i>
BERYL E. THOUVENELLE	<i>Assistant Secretary</i>
BERNARD H. FEUSTMAN	<i>Assistant Secretary</i>
BENJAMIN SCHNECK	<i>Assistant Treasurer</i>
J. KARL FISHBACH	<i>Assistant Treasurer</i>

DIRECTORS

GUSTAVE G. AMSTERDAM	NATHAN CUMMINGS	GEORGE H. JOHNSON
C. GORDON ANDERSON	ANTHONY G. FELIX	DANIEL O. MORTON
JAMES H. BECKER	STANLEY FOLZ	ISIDORE NEWMAN, II
MURRY C. BECKER	LEONARD H. GOLDENSON	MAX ROBB
DAVID BORTIN	RALPH L. GOLDSMITH	O. W. SCHANBACHER
HAROLD W. BRIGHTMAN	ALBERT M. GREENFIELD	AARON R. SCHARFF
J. J. CAPRANO	GORDON K. GREENFIELD	HERBERT J. SCHWARTZ
SAUL COHN	JOSEPH A. W. IGLEHART	SERGE SEMENENKO
CLEMENT V. CONOLE	ALLAN INTRILIGATOR	HAROLD D. WIMPFHEIMER

AUDITORS — ERNST & ERNST, New York, N. Y.

COUNSEL — FOLZ, BARD, KAMSLER, GOODIS & GREENFIELD, Philadelphia, Pa.

TRANSFER AGENTS — THE CHASE NATIONAL BANK of the City of New York, N. Y.

REGISTRARS — BANK OF THE MANHATTAN COMPANY, New York, N. Y.

ANNUAL REPORT

April 27, 1954

To The Stockholders of City Stores Company:

The past year witnessed a number of economic uncertainties which affected retail sales generally. The concern of the public toward increased unemployment and other factors led to a hesitancy in spending. Despite these conditions, the Company was able to maintain its sales volume and to increase its earnings. Dividends on the common stock were continued at \$1.40 per share.

SALES AND EARNINGS

The sales of the Company were \$233,226,864 against \$232,431,558 last year.

After preferred stock dividends, earnings amounted to \$4,510,192, or \$2.20 per share on the common stock compared with \$3,733,599, or \$1.82 per share for the previous year.

FINANCIAL POSITION

Working capital increased to \$63,809,000 from \$60,595,000 last year. This increase is largely reflected in higher receivables.

Inventories decreased to \$27,269,000 from \$28,248,000 a year ago. The aging and assortments are satisfactory, and it will be our purpose to achieve a higher rate of turnover during the coming year.

Inventories are valued, as in the past, on a sound and conservative basis, with LIFO reserves of \$4,433,000 against \$4,566,000 last year.

EXPANSIONS AND IMPROVEMENTS

As previously reported, it is the policy of the Company to improve and expand its present units, where the volume of business and the needs of the community make it advisable. A number of these units, referred to in the 1953 report, are rapidly approaching completion and will be in operation during the course of the coming year.

Lit Brothers — 69th Street

This highly successful unit added additional space of about 7,000 square feet to its main floor on August 28, 1953, and has more than justified expectations. The volume continues to increase.

Lit Brothers — Northeast

This newly constructed, modern store, covering an area of 152,000 square feet and situated at the hub of a thirteen-acre \$5 million shopping center in expanding Northeast Philadelphia, opened for business on February 17, 1954. Thus far, patronage by the residents of the community has produced sales beyond expectations.

Lit Brothers — Camden

Negotiations for the opening of a store in Camden, New Jersey as a fourth branch of the Lit Brothers division, resulted in the purchase of the Camden Court House in September, 1953. Upon demolition of the Court House building, a completely modern store comprising three stories and basement, approximating 145,000 square feet, will be constructed. Ample off-street parking facilities will be provided by the City of Camden.

This unit is located in the heart of the business center of this thriving city just across the Delaware River from Philadelphia. Lit - Camden will serve as the southern New Jersey outlet, with the Swern - Trenton store as the mid-New Jersey outlet of Lit Brothers in the rapidly developing industrial area along the greater Delaware River Valley. The new store is expected to be ready for operation by September, 1955.

Additional locations for branch units of Lit Brothers in the greater Philadelphia area are being studied at the present time.

Maison Blanche

The Maison Blanche service building, situated at the rear of the main store, will be completed and ready for occupancy by May 1, 1954. The enlarged selling space for the Maison Blanche Budget Annex, as previously reported, will be opened by September 1, 1954. The construction of a new and modern front to the main store, to eliminate the old arcade thus giving additional selling space, will be started April 19, 1954 and be completed by September 1, 1954.

Maison Blanche is also contemplating branch store operations in addition to the two which they presently operate.

R. H. White Corporation

Due to delays beyond our control, the first suburban unit of R. H. White Corporation in the Lincoln Plaza Shopping Center at Worcester, Massachusetts was not opened until March 17, 1954. Results thus far have been very encouraging and point to the fact that this store will be a profitable addition.

The new warehouse of R. H. White in Needham, Massachusetts was opened in September, 1953 and is fulfilling the need for added economies in service and better operations.

Additional branch stores for R. H. White Corporation are being planned at the present time.

Loveman, Joseph & Loeb

The Company acquired the business of Erlick's Department Store in Bessemer, Alabama as a branch for its Loveman, Joseph & Loeb division. This business enjoyed a successful history for 50 years in this industrial city, twelve miles from Birmingham, and was the leading store of the community. The new unit consists of 24,000 square feet on two floors and has been completely modernized. It opened as Loveman's-Bessemer on March 29, 1954, with most gratifying results.

Loveman's new Montgomery branch store is now under construction and will be open for business on or before September 1, 1954. This store, as previously reported, will comprise 100,000 square feet in a two-story and basement building.

B. Lowenstein & Bros., Inc.

The addition to the present Lowenstein's East, in the Highland Plaza development in suburban Memphis, Tennessee, is in course of construction and will be operating by September 1, 1954.

This improvement will add 60,000 square feet to the 30,000 square feet presently occupied by this unit and will make it possible to carry much more complete lines of merchandise and thus enhance sales.

Lansburgh's

On June 29, 1953 Lansburgh's acquired the property adjacent to the main store premises, formerly used as a firehouse by the District of Columbia. Contracts for the demolition of this property and construction of a service building thereon, comprising seven stories having a total area of 43,000 square feet, have been let. The building should be completed by October, 1954. This new addition will house the service departments now in the main store, thereby increasing the present selling area and giving Lansburgh's opportunities for better service and additional economies.

Lansburgh's — Langley Park

A lease has been signed and plans have been drawn for a completely modern branch store for Lansburgh's in Langley Park, Prince Georges County, Maryland. This store will occupy two floors and a basement totalling 120,000 square feet and will have ample parking facilities. It should be ready for occupancy in the Spring of 1955.

This is the first suburban unit for the Lansburgh division, but other locations are being investigated at the present time.

City Specialty Stores, Inc.

Oppenheim Collins Division

The branch situated in the Cross County Shopping Center in Westchester County, New York was recently opened, and occupies 13,000 square feet. This Center, located at the crossroads between southern New York State and western Connecticut, just north of New York City, is one of the largest suburban developments in the country.

Franklin Simon Division

A lease has been entered into for a property located on Lincoln Road in Miami Beach, Florida, having an area of 19,000 square feet. This will be refitted and modernized and ready for operation by September 1, 1954.

A lease has also been executed for a store in the Highland Plaza development in Memphis adjoining the enlarged Lowenstein's East. This branch will consist of 27,000 square feet on two stories, equipped with elevators, escalators, and air-conditioning. The store will be ready for occupancy on or about September 1, 1954.

PERSONNEL CHANGES

Robert L. Schuss of Dallas, Texas was elected President of Kaufman-Straus Company of Louisville, Kentucky to succeed Harry W. Schacter, resigned.

S. Carl Mark, a resident of Trenton, New Jersey, who has had intensive publicity and merchandising experience, was elected President of Swern & Company to succeed Samuel Swern, who will become Chairman of the Advisory Committee on May 1, 1954.

Nathan Cummings, Chairman of the Board of Consolidated Food Corporation, Kaywoodie Pipe Company and other large national institutions, was elected as a member of the Board of Directors to fill an existing vacancy.

CONCLUSION

Your Company's program for additional branch stores, as well as for the modernization of the facilities in our main units, will be continued in order that we may be better equipped to meet the needs of our customers.

The policy of strengthening personnel and of the development of young executives, through intensive training and promotion from within, has progressed during the past year and will continue at an accelerated pace.

The relationship with resources and the cordial cooperation received from them is greatly appreciated and contributes in no small way to the success of our operation.

The loyalty and enthusiasm of all our executives and co-workers, together with the increased patronage of our many friends and customers, justify our faith in the future welfare of your Company.

Respectfully submitted,

HERBERT J. SCHWARTZ

President

ALBERT M. GREENFIELD

Chairman of the Board

CITY STORES COMPANY AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF INCOME

	Year Ended	
	January 30, 1954	January 31, 1953
Net sales (including leased departments)	\$233,226,864	\$232,431,558
Deduct:		
Cost of goods sold and operating expenses	223,665,705	221,939,372
Depreciation and amortization	2,278,135	2,249,382
Interest and debt expense	1,222,324	1,196,590
	\$227,166,164	\$225,385,344
	\$ 6,060,700	\$ 7,046,214
Carrying charges on customers' installment accounts	1,772,408	1,665,299
Dividends from unconsolidated subsidiaries	565,000*	—*
Miscellaneous other income	685,068	318,707
	\$ 9,083,176	\$ 9,030,220
Income before federal income taxes	4,078,617	4,765,654
Federal taxes on income—Note B		
Net income	\$ 5,004,559	\$ 4,264,566
Less minority share of income	17,754	47,429
Net income applicable to City Stores Company	\$ 4,986,805	\$ 4,217,137

*NET INCOME OF UNCONSOLIDATED SUBSIDIARIES

Applicable to City Stores Company	\$ 270,903	\$ 194,098
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STATEMENT OF SURPLUS

	Year Ended
	January 30, 1954
CAPITAL SURPLUS	
Balance at January 31, 1953	\$ 10,373,386
Reclassification of portion of prior year write-off of appreciation in property accounts of subsidiary—see earned surplus	317,216
Balance at January 31, 1953, as adjusted	\$ 10,690,602
Miscellaneous credits — net	56,987
Balance at January 30, 1954	\$ 10,747,589
EARNED SURPLUS	
Balance at January 31, 1953	\$ 27,547,494
Portion of prior year write-off of appreciation — see capital surplus	317,216
Balance at January 31, 1953, as adjusted	\$ 27,230,278
Net profit for the year	4,986,805
	\$ 32,217,083
Deduct:	
Dividends declared on:	
Preferred stock — \$4.25 per share	\$ 476,613
Common stock — \$1.40 per share	2,874,173
	3,350,786
Balance at January 30, 1954	\$ 28,866,297

Note referred to follows.

CITY STORES COMPANY AND STATEMENT OF

ASSETS

	January 30, 1954	January 31, 1953
CURRENT ASSETS		
Cash	\$ 10,869,591	\$ 11,079,542
U. S. Government securities — at cost.....	60,600	40,400
Accounts receivable, customers and others, less allowances for doubtful...	48,835,541	45,997,170
Merchandise inventories — Note A	27,269,126	28,247,894
Supplies and prepaid items	1,924,442	2,083,782
TOTAL CURRENT ASSETS.....	\$ 88,959,300	\$ 87,448,788
INVESTMENTS AND OTHER ASSETS		
Investments in and advances to unconsolidated real estate subsidiaries— see page 10	\$ 1,936,595	\$ 1,510,855
U. S. Government securities deposited as security under lease.....	116,150	136,350
Mortgages receivable, sundry investments and other items.....	864,151	1,359,988
Refundable income and excess profits taxes of prior years — estimated — Note B	845,506	845,506
	\$ 3,762,402	\$ 3,852,699
PROPERTY AND EQUIPMENT		
Land, buildings, leaseholds, fixtures and equipment — at cost.....	\$ 40,549,991	\$ 40,255,617
Less accumulated depreciation and amortization.....	15,026,068	16,120,477
	\$ 25,523,923	\$ 24,135,140
UNAMORTIZED DEBT EXPENSE.....	\$ 292,702	\$ 293,074
	<u>\$118,538,327</u>	<u>\$115,729,701</u>

Notes referred to follow.

CONSOLIDATED SUBSIDIARIES FINANCIAL CONDITION

LIABILITIES

	January 30, 1954	January 31, 1953
CURRENT LIABILITIES		
Accounts payable and accrued expenses.....	\$ 15,723,003	\$ 17,322,461
Dividends payable	—	719,162
Federal taxes on income — estimated — Note B	7,346,987	7,292,179
Portion of long-term debt due within one year.....	1,474,312	683,069
Reserves for purchase discounts and mark-downs.....	606,197	837,461
TOTAL CURRENT LIABILITIES	\$ 25,150,499	\$ 26,854,332
LONG-TERM DEBT		
Notes payable — Note C	\$ 24,500,000	\$ 20,810,000
4% Sinking Fund Debentures (subordinated) — payable \$300,000 annually	4,780,000	5,100,000
Mortgages payable	961,953	1,126,266
	\$ 30,241,953	\$ 27,036,266
RESERVES		
For redemption of trading stamps and self-insurance.....	\$ 1,043,042	\$ 1,084,310
For restoration of leased properties.....	441,899	441,899
	\$ 1,484,941	\$ 1,526,209
MINORITY INTERESTS		
Preferred stock (par value)	\$ 394,900	\$ 529,544
Common stock equities	201,361	286,973
	\$ 596,261	\$ 816,517
CAPITAL STOCK AND SURPLUS		
Preferred Stock — \$100.00 par value — authorized 147,079 shares:		
4¼% Convertible Preferred Stock — 111,815 shares outstanding (after deducting 6,046 shares in treasury) — Note D	\$ 11,181,500	\$ 11,310,543
Common Stock — \$5.00 par value — authorized 3,000,000 shares:		
2,053,857 shares outstanding (after deducting 12,423 shares in treasury) — Note D	10,269,287	10,264,954
Capital surplus	10,747,589	10,373,386
Earned surplus — Notes B and C.....	28,866,297	27,547,494
	\$ 61,064,673	\$ 59,496,377
LONG-TERM LEASES — Note E		
	\$118,538,327	\$115,729,701

UNCONSOLIDATED REAL ESTATE SUBSIDIARIES

COMBINED STATEMENT OF FINANCIAL CONDITION

Maison Blanche Corporation
 Loveman, Joseph & Loeb, Inc.
 The Franklin Simon Realty Corporation

Richard Store Corporation
 R. H. White Realty Co., Inc.
 Oppenheim, Collins Corp. and Subsidiary

A S S E T S

	January 30, 1954	January 31, 1953
Cash	\$ 45,159	\$ 100,446
Due from tenants and others	32,496	39,884
Due from parent companies	87,984	225,824
Prepaid expenses	20,533	24,113
Deposit on purchase of real property	62,500	—
Land, buildings, leaseholds and equipment — at cost.....	16,794,226	16,313,392
Less accumulated depreciation and amortization	5,122,979	4,778,796
	<u>\$ 11,671,247</u>	<u>\$ 11,534,596</u>
Unamortized mortgage expense.....	54,463	60,212
	<u>\$ 11,974,382</u>	<u>\$ 11,985,075</u>

L I A B I L I T I E S

Notes payable to bank	\$ 300,000	\$ —
Accounts payable and accrued expenses.....	130,291	154,274
Minority interest	498	1,022
Federal taxes on income — estimated.....	134,346	182,400
Mortgages and loan payable (including installments due within one year of \$378,906 and \$365,128 respectively)	9,339,772	9,710,361
Equity of City Stores Company and subsidiaries:**		
Advances from parent companies	2,069,540	1,684,473
Capital stocks and surplus	65*	252,545
	<u>\$ 2,069,475</u>	<u>\$ 1,937,018</u>
	<u>\$ 11,974,382</u>	<u>\$ 11,985,075</u>

Long-term leases: At January 30, 1954, one of the companies had 4 leases on real estate properties with terms expiring more than three years from that date at aggregate minimum annual rentals of approximately \$151,200, plus, in certain instances, charges for taxes and insurance.

*Deficit.

**Carrying amount for these investments on statement of financial condition of City Stores Company and consolidated subsidiaries was \$1,936,595 at January 30, 1954.

CITY STORES COMPANY AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

January 30, 1954

Note A—Merchandise inventories were determined generally according to the retail inventory method and were priced in substantial part according to the LIFO method (before reserves for discounts and markdowns shown under current liabilities), and the balance, generally, at the lower of cost or market. Inventories priced according to the LIFO method are stated this year at \$4,432,595 and last year at \$4,566,069 less than they would have been if they had been priced at the lower of cost or market.

Note B—During the fiscal year ended January 31, 1946, Lit Brothers (now a division of City Stores Company) sold its main store property and concurrently with the sale, leased the property back from the buyer. In its returns for that year, the company claimed a deductible loss in respect of such sale. The company had received a ruling from the Bureau of Internal Revenue, supplemented by a closing agreement restricted to certain points in such ruling, stating in effect that any loss sustained on the sale of the property was deductible for tax purposes but not undertaking to establish the amount of loss.

On February 8, 1952, Lit Brothers received Revenue Agent's report for the fiscal years ended January 31, 1944 through 1948, in which adjustments were proposed which would result in net deficiencies in federal and state taxes of approximately \$5,525,000, exclusive of interest. This is \$4,985,000 in excess of reserves provided for this purpose. The report also proposes to disallow claims for refund of taxes on income which are being carried in the balance sheet at \$782,000. Protest has been filed by the Company with respect to all the adjustments and disallowances of claims, except certain adjustments amounting to approximately \$450,000 of tax liability. The principal item contested is the proposed disallowance of the loss on the sale of Lit Brothers' main store property, involving approximately \$4,750,000 of the taxes in controversy. The proposed disallowance of the loss by the Revenue Agent was not based upon determination by him of any factual points left unsettled by the Bureau's ruling to be established upon examination of the return and is, in the opinion of the Company's counsel diametrically opposed to the points established by the ruling and the closing agreement. In the opinion of the Company's counsel, the closing agreement is binding on the Treasury Department.

The amounts of the liability for federal and state taxes on income reflected in the accompanying financial statements include no specific provision for additional assessments of prior years' taxes against City Stores Company and/or its subsidiaries, except as herein set forth.

Note C—Under a loan agreement, dated November 19, 1951, the Company has borrowed \$23,500,000 from The Prudential Insurance Company of America, payable in annual installments on November 1 of each year in the amount of \$1,100,000 from 1957 to 1961, \$1,400,000 from 1962 to 1966 and \$1,600,000 from 1967 to 1970 and the balance on November 1, 1971.

Concurrently with said loan agreement, the Company borrowed \$1,500,000 from The First National Bank of Boston payable in equal annual installments of \$500,000 on November 1 of each year commencing in 1954.

The loan agreements provide, among other things, for (1) the maintenance of minimum consolidated working capital, (2) restrictions on the purchase, redemption or other acquisition of either class of the

NOTES TO FINANCIAL STATEMENTS (Continued)

Company's stock except preferred stock as may be necessary to meet the sinking fund requirements, and (3) restrictions on the payment of cash dividends on the Company's Common Stock. Consolidated net earnings (as defined) available for payment or declaration of Common Stock dividends during the fiscal quarter following January 30, 1954 aggregate \$2,683,178.

Note D—The conversion rights under the Company's 4¼% Convertible Preferred Stock may be exercised on or before February 1, 1956 for shares of Common Stock of the Company on the basis of specified common share valuations.

The Company's 4¼% Convertible Preferred Stock is entitled to the benefit of a sinking fund and contains, among other things, provisions restricting and limiting funded debt, issuance of additional shares of preferred stock, authorization of mergers or consolidations, etc.

The authorized shares of Common Stock include 532,452 shares reserved for issuance upon conversion of the 4¼% Convertible Preferred Stock.

Note E—At January 30, 1954, the Company and its consolidated subsidiaries had 54 leases on real estate properties (exclusive of intercompany leases) with terms expiring more than three years from that date. The aggregate minimum annual rental under such leases amounted to approximately \$2,205,000, plus, in certain instances, charges for taxes, insurance, and additional rental based on a percentage of sales over a fixed amount.

ERNST & ERNST 120 BROADWAY NEW YORK

BOARD OF DIRECTORS,
CITY STORES COMPANY,
PHILADELPHIA, PENNSYLVANIA

We have examined the statement of financial condition of City Stores Company and consolidated subsidiaries as of January 30, 1954, and the related statements of income and surplus for the year (52 weeks) ended on that date. The consolidated financial statements include the assets and liabilities of City Specialty Stores, Inc. and certain of its subsidiaries, and results of operations of such companies, as reported by other independent accountants. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records of the companies (except City Specialty Stores, Inc. and subsidiaries) and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, based upon our examination and upon the reports of other independent accountants as to the financial statements of City Specialty Stores, Inc. and certain of its subsidiaries, the accompanying statement of financial condition and statements of income and surplus present fairly the consolidated financial position of City Stores Company and consolidated subsidiaries at January 30, 1954, and the consolidated results of their operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

New York, N. Y.
April 7, 1954.

THE HISTORY OF THE UNITED STATES

The history of the United States is a story of the growth of a nation from a collection of small, separate colonies to a great, unified country. It is a story of the struggles and triumphs of a people who have built a nation of freedom and opportunity.

The first chapter of our history is the story of the early colonies. These colonies were founded by people who came from Europe in search of a better life. They brought with them the ideas and traditions of their home countries, and they began to build a new society in the New World.

As the colonies grew, they began to develop their own characteristics. Some colonies were based on agriculture, while others were based on commerce. Each colony had its own problems and its own way of solving them.

The second chapter of our history is the story of the American Revolution. This was a time when the colonies fought for their independence from Great Britain. It was a time of great struggle and sacrifice.

The third chapter of our history is the story of the early years of the United States. This was a time when the new nation was still very young and fragile. It was a time when the people of the United States were learning to live together in peace and harmony.

CHAPTER II

THE AMERICAN REVOLUTION

THE AMERICAN REVOLUTION

The American Revolution was a time of great struggle and sacrifice. It was a time when the colonies fought for their independence from Great Britain. It was a time when the people of the United States were learning to live together in peace and harmony.

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CHAPTER III

The American Revolution was a time of great struggle and sacrifice. It was a time when the colonies fought for their independence from Great Britain. It was a time when the people of the United States were learning to live together in peace and harmony.

